

E.B

SEC
Mail Processing
Section
MAR 01 2019
Washington DC
408

SE



19006469

ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	August 31, 2020
Estimated average burden hours per response...	12.00

SEC FILE NUMBER
8-32283

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/18 AND ENDING 12/31/18
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **CION Securities, LLC**

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

3 Park Avenue, 36th Floor

(No. and Street)

New York

NY

10016

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Jason Ng - VP, Regulatory Compliance Officer

212-418-4734

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

RSM US LLP

(Name - if individual, state last, first, middle name)

4 Times Square, 151 West 42nd Street, 19th Floor New York

NY

10036

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

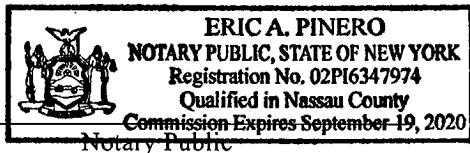
SEC 1410 (11-05)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

RMS

OATH OR AFFIRMATION

I, Douglas S. Crossman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CION Securities, LLC, as of December 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature

Douglas S. Crossman, Senior Managing Director

Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

CION Securities, LLC
(A wholly-owned subsidiary of CION Investment Group, LLC)
Statement of Financial Condition

Year Ended December 31, 2018

Contents

Facing Page and Oath or Affirmation	
Report of Independent Registered Public Accounting Firm.....	1
 Financial Statements	
Statement of Financial Condition	2
Notes to Statement of Financial Condition	3



RSM US LLP

Report of Independent Registered Public Accounting Firm

To the Managing Member of CION Securities, LLC

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of CION Securities, LLC (the Company) as of December 31, 2018, and the related notes to the financial statement (collectively, the financial statement). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

RSM US LLP

We have served as the Company's auditor since 2014.

New York, New York
February 26, 2019

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

CION Securities, LLC
(A wholly-owned subsidiary of CION Investment Group, LLC)
Statement of Financial Condition

December 31, 2018

Assets

Cash	\$ 758,767
Prepaid expenses	214,369
Due from affiliates	<u>2,556,371</u>
Total assets	<u>\$ 3,529,507</u>

Liabilities and member's equity

Liabilities:	
Accrued expenses	\$ 29,700
Due to Parent	<u>520,147</u>
Total liabilities	<u>549,847</u>
Member's equity:	
Member's contributions	37,643,100
Accumulated deficit	<u>(34,663,440)</u>
Total member's equity	<u>2,979,660</u>
Total liabilities and member's equity	<u>\$ 3,529,507</u>

See accompanying notes to Statement of Financial Condition.

CION Securities, LLC
(A wholly-owned subsidiary of CION Investment Group, LLC)
Notes to Statement of Financial Condition

December 31, 2018

1. Organization

CION Securities, LLC, or the Company, is a Delaware limited liability company and a wholly-owned subsidiary of CION Investment Group, LLC, or CIG or the Parent. The Company is a registered broker-dealer, a member of the Financial Industry Regulatory Authority, Inc., or FINRA, and is exempt from the requirements of Rule 15c3-3 of the Securities and Exchange Commission, or the SEC, since the Company does not take custody of any customer funds or securities. The Company's primary business activity is to manage the distribution of alternative investment products to individuals, including the sale of shares of beneficial interest of CION Ares Diversified Credit Fund, or CADC, and, through January 25, 2019, the sale of shares of common stock of CION Investment Corporation, or CIC, each an affiliated entity.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Statement of Financial Condition of the Company has been prepared in accordance with U.S. generally accepted accounting principles, or US GAAP. Management of the Company has evaluated all subsequent events through February 26, 2019, the date the Statement of Financial Condition was issued.

Cash

The Company's cash is held at one financial institution and at year end exceeds insured limits. The Company periodically evaluates the creditworthiness of this institution and has not experienced any losses on such deposits.

Revenue Recognition

The Company receives dealer-manager fees in connection with the offering of alternative investment products. During the year ended December 31, 2018, dealer-manager fees were earned from the sale of shares of common stock of CIC and shares of beneficial interest of CADC. The amount of dealer-manager fees, typically up to 2% of the gross proceeds from the sale of shares of CIC and up to 0.75% of the gross proceeds from the sale of certain shares of CADC, is determined in accordance with their respective governance documentation. A portion of the CIC

CION Securities, LLC
(A wholly-owned subsidiary of CION Investment Group, LLC)
Notes to Statement of Financial Condition

2. Summary of Significant Accounting Policies (continued)

dealer-manager fees may be paid, as a marketing reallowance, to third-party broker-dealers that actively assist in marketing efforts to reimburse them for permissible marketing expenses. The amount of this marketing reallowance will vary depending upon separately negotiated agreements with each broker-dealer. Generally, this marketing reallowance can total up to 1% of the gross proceeds from the sale of shares of CIC. Revenue and fees are earned and recognized when an investor's subscription agreement is accepted by CIC and CADC, as applicable.

During 2018, the Company received expense reimbursements for (i) certain broker-dealer expenses related to CADC from CION Ares Management, LLC ("CAM"), an affiliate and the investment advisor of CADC and (ii) certain unaffiliated third-party expenses related to CIC from CION Investment Management, LLC ("CIM"), an affiliate and the investment advisor of CIC.

Use of Estimates

The preparation of the Statement of Financial Condition in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Statement of Financial Condition. Actual results could differ from those estimates.

Concentration of Risk

During the year ended December 31, 2018, the Company earned 83% of its dealer-manager fee revenue from the sale of shares of common stock of CIC and 17% from the sale of shares of beneficial interest of CADC. Concentrations of risk with respect to receivables are limited to the receivables included in Due from affiliates, of which 81% were due from CAM as of December 31, 2018.

Recently Adopted Accounting Pronouncements

In August 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-14, *Revenue from Contracts with Customers*, which requires an entity to recognize revenue in an amount that reflects the consideration expected to be received in exchange for goods or services. In March 2016, FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies the implementation guidance on principal versus agent considerations.

CION Securities, LLC
(A wholly-owned subsidiary of CION Investment Group, LLC)
Notes to Statement of Financial Condition

2. Summary of Significant Accounting Policies (continued)

The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to customers. The new standard further requires new disclosures about contracts with customers, including significant judgments the entity has made when applying the guidance. The Company adopted ASU 2015-14 and ASU 2016-08 on January 1, 2018, which did not have an effect on the Statement of Financial Condition. The Company adopted ASU 2015-14 and ASU 2016-08 using the modified retrospective method, which did not require a cumulative effect adjustment to accumulated deficit upon adoption.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize assets and liabilities for leases with lease terms greater than twelve months on the balance sheet and disclose key information about leasing arrangements. The adoption of ASU 2016-02 becomes effective for the Company for annual reporting periods beginning after December 15, 2018. Effective January 1, 2019, the Company will adopt ASU 2016-02. As of the date the Statement of Financial Condition was issued, the Company completed its evaluation of ASU 2016-02. Based on the Company's assessment, it does not expect a significant impact on the Statement of Financial Condition.

3. Related Parties

Pursuant to an expense-sharing agreement, CIG pays or incurs the Company's expenses and then allocates to the Company, in accordance with the terms and conditions of the expense-sharing agreement, all or a portion (depending upon whether such expenses are shared expenses or solely expenses of the Company) of such expenses, including, but not limited to, rent, salaries, commissions, employee benefits and other reasonable business expenses incurred by or on behalf of the Company in connection with the operation of its sales and management activities. These expenses are included net of amounts Due to Parent on the accompanying Statement of Financial Condition.

Due from affiliates on the Statement of Financial Condition consists of fees and expense reimbursements recognized but not yet received. As of December 31, 2018, \$2,077,453 and \$478,918 of expense reimbursements were due from CAM and CIM, respectively.

The Parent increased its investment in the Company by \$2,827,000 through contributions made at various times during the year ended December 31, 2018. The increase was made through direct cash contributions by CIG.

CION Securities, LLC
(A wholly-owned subsidiary of CION Investment Group, LLC)
Notes to Statement of Financial Condition

4. Income Taxes

The Company is a disregarded entity for tax purposes. As a result, the Company has no standalone income tax reporting requirement. The operating results of the Company are included in the consolidated federal and state partnership income tax returns of CIG. CIG files an unincorporated business tax return in New York City. The Company records a tax provision in its financial statements for the portion of tax liability or benefit that it contributes to the New York City unincorporated business tax return of CIG. The tax benefit recorded for the year ended December 31, 2018 is presented within Due to Parent on the accompanying Statement of Financial Condition.

As of December 31, 2018, the Company did not have any uncertain income tax positions.

5. Net Capital Requirements

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1, or the Net Capital Rule, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital not exceed 15 to 1. Under the Net Capital Rule, and the related rules of FINRA, the Company may be required to reduce its business if its net capital ratio exceeds regulatory requirements.

At December 31, 2018, the Company's ratio of aggregate indebtedness to net capital was 2.63 to 1. At December 31, 2018, the Company had net capital of \$208,920, which was \$172,264 in excess of its required minimum net capital of \$36,656.

Advances to affiliates and other equity withdrawals, including dividends, are subject to certain notification and other provisions of the Net Capital Rule and other regulatory rules. The SEC may restrict for a period of up to twenty business days any withdrawal by a broker-dealer of equity capital, as defined by the Net Capital Rule, if such withdrawal, when aggregated with all other withdrawals of equity capital on a net basis during a thirty calendar day period, exceeds 30% of the broker-dealer's net capital or if the SEC determines that such withdrawal would be detrimental to the financial integrity of the broker-dealer or the financial community.